

<p align="center"><b>2003 - 2004</b> <b>ANNUAL REPORT</b></p>
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## CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

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### Parks and Recreation Bond Projects Fund

On November 7, 2000, voters approved a bond measure totaling \$228 million to finance the construction of improvements to regional and neighborhood parks and recreation facilities over a ten-year period. This fund was established to account for the expenditure of those bond proceeds.

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#### *Parks and Recreation Bond Projects Fund*

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Percent Variance</b>
<i>Revenue</i>	\$ 12,975	\$ 1,169	\$ (11,806)	(91.0%)
<i>Expenditure</i>	71,397	43,263	28,134	39.4%
<i>Fund Balance (est. *)</i>	35,071 *	20,919	(14,152)	(40.4%)

General Obligation Bond proceeds (G.O. Bonds) and interest earnings provide the funding for this fund. The negative revenue variance of \$11.8 million is the result of lower than anticipated bond proceeds (\$13.0 million) partially offset by higher interest earnings (\$1.2 million) on the 2001-2002 and 2002-2003 bond proceeds. Revenue from G.O. Bonds totaling \$13.0 million was budgeted in 2003-2004. Due to the timing of the bond sale, however, the bond proceeds were recognized in July 2004, after the close of the 2003-2004 fiscal year.

The positive expenditure variance of \$28.1 million reflects unexpended project funds. Following are descriptions of major project variances:

- Project savings totaling \$3.9 million resulted from a Council-approved decision to delay the Roosevelt Community Center, the Mayfair Community Center, and Willows Community Center projects due to their relatively high operating and maintenance impact on the General Fund.
- The Happy Hollow Park and Zoo Renovations and Improvements project generated a large portion of these savings (\$10.6 million) due to a delay in awarding an amendment to a consulting agreement. The agreement was awarded in August 2004.
- The Almaden Community Center project produced savings of \$3.5 million due to project management and contingency costs being lower than anticipated in 2003-2004.

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## CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

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### Parks and Recreation Bond Projects Fund (Cont'd.)

- The Public Art-Parks and Recreation Bond Projects produced savings of \$2.7 million due to delays in purchasing public art for various facilities.
- The Almaden Lake Park project produced savings of \$1.7 million due to delays in the project regarding permit and scoping issues.
- The Los Gatos Creek Trail-Lincoln Avenue to Auzerais Avenue and Willow Street to Pedro Street project produced savings of \$1.5 million due to delays in the project regarding obtaining environmental clearance (NEPA/CEQA).
- The Coyote Creek Trail-Los Lagos Golf Course to Kelley Park project produced savings of \$632,000 due to delays in the project regarding land acquisition issues.
- The Gardner Community Center project produced savings of \$580,000 due to ongoing issues with PG&E, which has caused delays in the project.

Another large variance between the estimated and actual expenditures in this fund is due to the completion of most neighborhood park improvements. Of the 95 projects being completed in the Park Bond program, 73 projects are neighborhood park renovations or improvements. Through 2003-2004 all but two of these projects (Williams Street Park and Noble Park) have been completed. Since most of the projects are completed, it is recommended as part of this document that the remaining budgets (\$1.1 million) for these projects be removed and placed in the Park Bond Contingency Reserve.

The Budget Office and CIP Action Team allocations were over-expended at year-end and require ratification due to the redistribution of these costs during the year-end close process. The reallocation of these costs was designed to more accurately distribute costs. On an overall basis, the expenditures of these two units were actually under budget. With the exception of neighborhood park projects, the majority of savings for projects in this fund (\$27.5 million) were anticipated and rebudgeted to 2004-2005, however, many of these projects experienced higher expenditures than estimated, therefore a total of \$1.7 million is recommended to be removed from 2004-2005 project budgets as part of this document.

The 2003-2004 fund balance is \$14.2 million lower than the estimate used in the development of the 2004-2005 Adopted Capital Budget primarily due to lower than anticipated bond proceeds (\$13.0 million) and higher than expected expenditures (\$1.5 million), slightly offset by higher than anticipated interest earnings (\$367,000). To offset this negative variance, a recommendation is included in this report to increase the revenue estimate to recognize the bond proceeds that were sold at the beginning of 2004-2005. In addition, net downward rebudget adjustments to expenditure appropriations are recommended based on actual 2003-2004 performance.